



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: October 28, 2009 REPORT NO: 09-155
ATTENTION: Council President and City Council
SUBJECT: FY 2010 Community Development Block Grant (CDBG)
Reprogramming Hearing

REQUESTED ACTIONS:

1. Approve the reprogramming of CDBG funds for the Mayor's Office and all Council District offices, set forth in Report to the City Council No. _____, a copy of which is on file with the Office of the City Clerk as Document No. RR-_____, contingent upon Comptroller certification of fund availability.
2. Direct that the City's Funding Obligations and those projects and programs approved for funding in the reprogramming hearing be incorporated into an amendment to the City's FY 2010 Annual Action Plan.
3. Authorize the Chief Financial Officer to accept the additional funding appropriations from the San Diego Housing Commission (SDHC) for the City's Homeless Emergency Winter Shelter Program and the Cortez Hill Family Center, contingent upon approval by the Housing Commission Board.
4. Approve FY 2010 revised budgets for the City's Homeless Emergency Winter Shelter Program and the Cortez Hill Family Center, contingent upon Comptroller certification of fund availability.
5. Authorize the Mayor or his designee to negotiate and execute agreements, or amendments, with those agencies for which projects and programs have been approved for CDBG and/or SDHC funding, contingent upon Comptroller certification of fund availability.
6. Authorize the Chief Financial Officer to appropriate and expend the CDBG and SDHC funds for the City's Funding Obligations and those projects and programs approved for CDBG and/or SDHC funding, contingent upon Comptroller certification of fund availability.

STAFF RECOMMENDATIONS:

Adopt the Requested Actions.

BACKGROUND:

The Federal Housing and Community Development Act of 1974 established the Community Development Block Grant (CDBG) Program, which is administered by the Department of Housing and Urban Development (HUD). The City of San Diego (City) has received CDBG

Entitlement funds annually since its inception. The overarching goal of the CDBG Program is to develop viable urban communities through the provision of decent housing, suitable living environments, and economic activities for persons of low and moderate income.

The CDBG Program allows local jurisdictions latitude in deciding upon a community development strategy and determining the types of projects to fund. However, there are restrictions on the types of activities that are eligible for funding. These restrictions are defined in the Code of Federal Regulations (24 CFR 570).

The CDBG Program is administered by the Economic Development Division staff of the City Planning & Community Investment Department. CDBG staff is responsible for grant compliance and the overall administration of the City's CDBG Program. Each year, the City is obligated to follow a HUD-defined "consolidated planning" process to ensure community involvement, project eligibility, and a strategic approach to utilizing CDBG funds. The City is required to submit both a five-year strategic plan and annual action plans (which are subject to HUD approval) in order to qualify for funding.

In an effort to assure City accounting records match HUD's Integrated & Information System (IDIS), CDBG Program staff began conducting a comprehensive review of all CDBG transactions in both systems dating back to 1994. This was necessary as part of a program-wide reform to improve the internal controls of the CDBG Program's accounting records. The transactions reviewed included: 1) all allocations made at the start of a fiscal year; 2) all reprogramming of funds; 3) mid-year transactions if adjustments were made to funding; and 4) any other adjustments required by the City Comptroller's Office to properly record transactions.

CDBG Program staff has been working with the City Comptroller's Office to identify all unexpended balances from CDBG projects. In addition, staff is working with the CDBG Project Managers in order to obtain information on all open CDBG-funded projects. Staff is continuing to complete:

1. Documentation of every City expense matched with draws from HUD's IDIS system;
2. Reconciling City approved budgets to appropriated amounts in HUD's IDIS system; and
3. Updating records in the City's new SAP system to balance with HUD's IDIS system for the current fiscal year and forward.

DISCUSSION

At the beginning of FY 2010, CDBG Program staff was able to confirm a total of \$1,239,944 of CDBG funds that remain unallocated by Council District offices from prior years. The unallocated amount represents unexpended funds resulting from: 1) terminated projects with unspent balances; 2) projects unable to be implemented or cancelled by agencies themselves; 3) projects unable to meet eligibility and/or contract requirements; or 4) entitlement funds awarded that were never allocated to projects.

A separate application process was implemented by the CDBG Program office to allocate these unallocated CDBG balances. On July 13, 2009, the City's FY 2010 CDBG Reprogramming Hearing Application packet was made available to the public. All potential applicants were required to attend one application workshop session. A total of two workshops were conducted by CDBG Program staff. Workshop participants were required to fill out and submit a Certification of Compliance form.

The deadline for submission of the CDBG applications was August 11, 2009. All applications submitted by the designated deadline were reviewed to ensure compliance with application submittal requirements. For example, each applicant was required to include a copy of their FY 2008 Audited Financial Statement and filed tax documents for review. Agency staff submitting CDBG application packets was required to remain present during the review of their application packet by CDBG staff. Those deemed in non-compliance with application submittal requirements were not accepted and the entire application packet was returned to the applicant, along with a Missing Items from Application Submittal form. Those in compliance with the application submittal requirements were issued a Certification of Submittal form that included a notification that acceptance of the application packet did not represent final approval from the CDBG Program office.

A more thorough secondary review of the CDBG applications was conducted during the period of August 12, 2009 through September 14, 2009. CDBG Program staff conducted detailed reviews of the proposed project descriptions to determine eligibility. In addition, a review of the applicant's financial status was conducted to determine whether accounting records were maintained using generally accepted accounting principles and to ensure/determine their capacity to effectively utilize CDBG funds on a cash reimbursement basis. During this review process, additional applications were determined to be ineligible to be forwarded for funding consideration. These agencies received letters explaining why their project applications were not forwarded.

On September 16, 2009, a total of 35 eligible FY 2010 CDBG Reprogramming Hearing Applications were provided to each Council District Office for review and consideration of funding. On September 17, 2009, one additional eligible application was forwarded to the Council District offices. As a result, a total of 36 project applications were made available for review and funding consideration for the reprogramming hearing process.

In accordance with the current Council Policy 700-02 "Community Development Block Grant Program," each Councilmember identified their respective funding priorities in a written memorandum. The Mayor's Office put forth funding recommendations for discretionary funding in the "Citywide" category. A copy of all CDBG funding recommendations was forwarded to all Council District offices.

In addition, a list of the CDBG funding recommendations was posted on the City's CDBG Program website (www.sandiego.gov/cdbg/general).

On October 14, 2009 the proposed funding recommendations for the FY 2010 CDBG Reprogramming Hearing were presented to the Public Safety and Neighborhood Services (PS&NS) Committee. At the meeting, CDBG staff informed the Committee there was an oversight in the proposed citywide allocation to the San Diego Housing Commission's (SDHC) Acquisition of Affordable Housing project. After careful review, staff recognized that the agency would require the full requested amount of \$286,117 to complete the project. An amount of \$180,000 was initially proposed on the spreadsheet presented at the PS&NS Committee meeting. To cover the shortfall to the Housing Commission, staff is requesting a revision to the proposed citywide allocations to reduce the proposed citywide funding for two projects. The Committee directed staff to ensure affected agencies are contacted and to gauge whether the proposed revisions result in non-completion of their proposed projects. CDBG staff contacted La Maestra Family Clinic and San Diego Second Chance and were assured both projects could still be completed if approved with the revised funding allocations, as detailed in Attachment 1 in the Citywide column labeled "revised".

In addition to the issues presented at the PS&NS Committee meeting, staff has identified that SDHC's proposed funding appropriation of \$380,000 for the Homeless Emergency Winter Shelter Program, approved in the CDBG Program's First Allocation Hearing, requires a revision. Based on confirmation by SDHC given to CDBG staff, a total of \$400,000 from their Housing Trust Funds and local funds was earmarked for the City's Cortez Hill Family Center (\$200,000) and the City's Homeless Emergency Winter Shelter Program (\$200,000). As a result, staff is also seeking approval of revised budgets (Attachment 2) for these homeless programs as part of this FY 2010 CDBG Reprogramming Hearing. The revised budgets include the proposed allocation of an additional \$20,000 in SDHC funding.

FISCAL CONSIDERATIONS:

There is no impact to the City's General Fund from this action. Funding for each project described in this report is available from the U.S. Department of Housing and Urban Development (HUD) through its Community Development Block Grant Program and from the San Diego Housing Commission.

PREVIOUS COUNCIL AND/OR COMMITTEE ACTION:

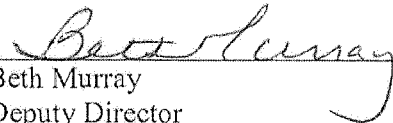
PS&NS Committee - FY 2010 Reprogramming Hearing presentation on October 14, 2009
FY 2010 CDBG and ESG Second Allocation Hearing on July 6, 2009 (R-305030)
FY 2010 CDBG and ESG First Allocation Hearing March 3, 2009 (R-304705)


COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The FY 2010 CDBG Reprogramming Hearing application process was noticed on the City of San Diego's CDBG Program website, and notices were mailed to over 400 potential applicants included in the City's CDBG Program mailing database. A Public Notice for the FY 2010 Reprogramming Hearing was advertised in the San Diego Union Tribune for the period of October 27, 2009 through November 10, 2009. In addition, a copy of the Public Notice was posted on the City's CDBG Program website during this period.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Residents of low and moderate income communities; community-based organizations; community planning groups; and other community development organizations.


Beth Murray
Deputy Director
Economic Development Division


William Anderson, FAICP
Director
City Planning and Community Investment

- Attachments: 1. Proposed CDBG Funding Recommendations
2. Proposed Budget Revisions for HEWSP and CHFC

**COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
FY 2010 CDBG REPROGRAMMING HEARING
PROPOSED FUNDING RECOMMENDATIONS**

Amount Available for Eligible FY10 Reprogramming Project Applications	CD-1	CD-2	CD-3	CD-4	CD-5	CD-6	CD-7	CD-8	Citywide	Citywide	Total
Council District Balances	37,665	192,853	38,324	341,762	26,790	61,025	89,633	151,515	300,377	300,377	1,239,944

Council Districts 1-8 and Citywide Recommended Allocations for Eligible FY10 Reprogramming Project Applications											
	CD-1	CD-2	CD-3 ¹	CD-4	CD-5 ²	CD-6 ³	CD-7 ⁴	CD-8 ⁵	Original	Revised	Total
2. ACCION San Diego	37,665	10,000		15,000		7,000	5,000				74,665
3. Alliance for African Assistance - Community Economic Development Microenterprise						15,000					15,000
4. Alliance for African Assistance - Crossroads Redevelopment District Building Rehab.			5,000	20,000			15,000				40,000
5. Aquatic Adventures Science Education Foundation		5,000									5,000
6. Border View YMCA								50,000			50,000
7. Boys and Girls Club, Inland North County - Clairemont Club Improvements						20,000					20,000
8. Boys and Girls Club - Encanto Club Improvements				60,000							60,000
9. Boys and Girls Club, Inland North County - Roberts (Linda Vista) Club Improvements						20,000					20,000
11. Burn Institute		8,000					5,000				13,000
12. Center for Community Solutions		13,000				13,000	1,530				27,530
14. City Heights Community Development Corporation				30,000							30,000
15. City of San Diego Park & Recreation						5,000					5,000
18. Family Health Centers of San Diego - Logan Heights Family Health Center Courtyard				26,262		8,000	5,000				39,262
19. Fuller Center for Housing San Diego								46,515			46,515
20. La Maestra Family Clinic, Inc.				10,000		12,000	15,000		88,000	19,151	56,151
21. Pro Kids Golf Academy, Inc.		6,000		8,000	33,451		5,000				52,451
22. San Diego Center for Children		5,000	5,504	2,500		18,685	20,000				51,689
23. San Diego Food Bank		5,000		25,000							30,000
26. San Diego Housing Commission								60,000	120,000	226,117	286,117
27. San Diego Imperial Counties Labor Council		10,000		25,000							35,000
28. San Diego LGBT Community Center		50,000	30,000	30,000		3,340					113,340
29. San Diego Rescue Mission		15,000		10,000					35,959	35,959	60,959
30. San Diego Second Chance Program		5,853		50,000		15,000			56,418	19,150	90,003
31. Senior Community Centers		25,000				7,000	10,000				42,000
32. The Arc of San Diego		10,000				20,000					30,000
33. YMCA of San Diego County, Youth & Family Services - Turning Point Renovations			30,000								30,000
35. YWCA of San Diego County		25,000									25,000
36. The Salvation Army						35,000					35,000
Fourth District Seniors Resource Center ⁶				30,000							30,000
City of San Diego Traffic Engineering ⁷								25,000			25,000
Total Proposed Allocations	37,665	192,853	70,504	341,762	33,451	199,025	81,530	181,515	300,377	300,377	1,438,682

¹ Council District 3 - North Park Organization of Business (dba North Park Main Street) Streetlights Project at \$32,180 has been cancelled, increasing Council District balance from \$38,324 to \$70,504

² Council District 5 - Includes \$6,661 from FY 2010 Second Allocation Hearing Balance, increasing Council District balance from \$26,790 to \$33,451

³ Council District 6 - Confirmed that Code Enforcement has released \$138,000 in unspent funds, increasing Council District balance from \$61,025 to \$199,025

⁴ Council District 7 - An unbudgeted amount of \$8,103 remains

⁵ Council District 8 - Includes \$30,000 of program income from a property located at 811 25th Street in Golden Hill, increasing Council District balance from \$151,151 to \$181,151

⁶ Refer to Memorandum from Council District 4

⁷ Refer to Memorandum from Council District 8

PROPOSED REVISED FY 2010 BUDGETS

HOMELESS EMERGENCY WINTER SHELTER PROGRAM

Funding Source	Original Approved Amount	Revised Amount	Difference
Emergency Shelter Grant	\$233,115	\$233,115	\$0
Community Development Block Grant	\$105,000	\$295,000	\$190,000
San Diego Housing Commission	\$380,000	\$200,000	(\$180,000)
Total FY10 Budget	\$718,115	\$728,115	\$10,000

CORTEZ HILL FAMILY CENTER

Funding Source	Original Approved Amount	Revised Amount	Difference
Emergency Shelter Grant	\$403,129	\$403,129	\$0
Community Development Block Grant	\$243,568	\$53,568	(\$190,000)
San Diego Housing Commission	\$0	\$200,000	\$200,000
Total FY10 Budget	\$646,697	\$656,697	\$10,000